

50 Days After Majority of House Co-Sponsors STOCK Act, bill champions say it's long past time to ban insider trading on Capitol Hill

WASHINGTON—Today, in responding to the announcement that the United States Senate will bring the STOCK Act forward for a vote, Congressman Tim Walz (MN-01), lead author of the STOCK Act in the House, and Congresswoman Louise Slaughter (NY-28), Ranking Member of the House Rules Committee, called on Speaker Boehner and Majority Leader Cantor to hold a clean, up or down vote in the House as soon as possible.

It's now been 50 days since the STOCK Act received the support of a bipartisan majority of the House. On December 8, more than 218 members of the House, a bipartisan coalition, co-sponsored the STOCK Act. Despite this, Majority Leader Cantor reportedly asked House Financial Services Chairman Spencer Bachus to postpone the markup his committee had scheduled essentially halting the bill. Today, the bill has 253 co-sponsors including 90 republicans.

"No more games, no more delay. I urge Speaker Boehner and Majority Leader Cantor to bring the STOCK Act to the House floor for a clean, up or down vote," said Walz. "This commonsense, bipartisan bill would ban insider trading by Members of Congress and help restore faith in government. The American people don't want or need it to be attached to another bill, filled with poison pills, that is designed to fail. They want action. It is time to hold a clean, up or down vote on the STOCK Act as soon as possible."

"It's been 50 days since a majority of the House said they wanted this bill to become law. How much longer must the American people wait?" said Slaughter. "I've been working on the STOCK Act since 2006 and I say that if the President tells us in the State of the Union that he wants to sign the STOCK Act, then we need to put an end to this delay, get it through the House and send it to him. The American people are angry and expect more from Republican Leadership than continued stalling on a bill that has been around for nearly six years. The best way to prove to the American people that we abhor conduct that allows such injustice would be to stop playing politics and allow a comprehensive bill with the bipartisan support of more than half of the House to move forward."

In his State of the Union Address last Tuesday, January 24, President Obama stated that if the

STOCK Act reached his desk, he would "sign it tomorrow." Following his remarks, Senate Majority Leader Harry Reid indicated that he would move the STOCK Act to the Senate floor next week.

Congressman Tim Walz (MN-01) and Congresswoman Louise Slaughter (NY-28), Ranking Member of the House Rules Committee, re-introduced legislation on March 18, 2011, to ban insider trading on Capitol Hill saying Members of Congress should play by the same rules as everyone else.

The Stop Trading on Congressional Knowledge Act, or STOCK Act, (H.R. 1148) would prohibit Members of Congress and federal employees from profiting from nonpublic information they obtain via their official positions, and require greater oversight of the growing "political intelligence" industry.

The STOCK Act currently has 253 co-sponsors in the House—163 Democrats and 90 Republicans.

The STOCK Act also has a broad base of support from organizations dedicated to government reform including Citizens for Responsibility and Ethics in Washington (CREW), Common Cause, Democracy 21, Public Citizen and U.S. PIRG. In a letter to both lawmakers earlier this year, the organizations said, "This measure provides a balanced application of the laws against insider trading to both the private and public sectors and offers the important tool of disclosure for ensuring compliance with the law. The STOCK Act should be adopted by Congress before new scandals arise."

The original version of the Stop Trading on Congressional Knowledge Act (STOCK Act) was introduced in 2006.

BACKGROUND

The Issue:

Day Trading

There have been reports that Members of Congress and Congressional staff may have been engaged in, or were engaged in, day trading of securities. Nonpublic information about current or upcoming congressional activities may be used, or may have been used, in some of these trading decisions. For example, the Wall Street Journal reported that from 1999-2000 the Deputy Chief of Staff to then Majority Leader Tom Delay bought and sold hundreds of stocks from his congressional office computer. This information has been confirmed by other Delay aides and in year-end financial disclosure forms.

Political Intelligence

According to additional accounts, there is reason to believe some Members of Congress or their staff may have shared nonpublic information about current or upcoming Congressional activities with individuals outside of Congress working for political intelligence firms. These reports indicate that these individuals or their firms may have used this for investment purposes.

The increase in the number of political intelligence firms suggests that the leaking of nonpublic congressional information occurs regularly. What started out as a handful of firms in the 1970s, political intelligence firms have grown into an industry that brings in an estimated \$100 million a year.

What the STOCK Act Does:

- Prohibits Members, their staff, Executive branch employees, and any other person from buying or selling securities, swaps, or commodity futures based on congressional and executive branch nonpublic information; It also requires more timely disclosure of financial transactions above \$1,000 for those Members and staff that are already required to file annual financial disclosures;

- Amends House ethics rules to prohibit Members and their employees from disclosing any non-public information about any pending or prospective legislative action for investment purposes;
- Requires firms that specialize in "political intelligence", who use information obtained from Congress to make financial transactions, to register with the House and Senate – just like lobbying firms are now required to do.

Why the STOCK Act is Needed:

There is no oversight authority on Congressional insider trading

Insider trading is the buying or selling of financial instruments on the basis of material, nonpublic information in violation of a duty of confidentiality – either to the issuing company or to the source of information. Under current law, Members of Congress and their staff do not owe a duty of confidentiality to Congress, and therefore are not liable for insider trading.

We need sunlight and transparency of the political intelligence industry

Political intelligence firms first appeared in the 1970s and have been on the rise in the past decade, but the industry remains relatively unknown because the firms are currently not required to register their clients or their earnings. By having these firms register with Congress along with lobbyists, the public will gain knowledge on who might be gaining an unfair advantage in the financial markets at the expense of the average financial investor.